

**Cash Management Improvement Act
Agreement**

**Between
The State of California
and
The Secretary of the Treasury,
United States Department of the Treasury**

This Agreement sets forth the terms and conditions to implement the requirements of the Cash Management Improvement Act of 1990, as amended. The purpose of this Agreement is to establish procedures and requirements for ensuring greater equity, efficiency, and effectiveness in the exchange of funds between the federal government and the State of California (State). Greater equity, efficiency, and effectiveness will be accomplished by improving the movement of funds between the federal agencies and the State, while at the same time ensuring that neither party benefits nor suffers financially due to any transfer of funds.

The Secretary of the Treasury, United States Department of the Treasury (hereafter "Secretary"), and the State of California (hereafter "State"), in order to implement the Cash Management Improvement Act of 1990, as amended (hereafter "Act"), agree as follows:

1.0 AGENTS OF THE AGREEMENT

- 1.1** The authorized official for the State of California will be Kathryn Radtkey-Gaither, Assistant Director for the Department of Finance, in all matters concerning this Agreement.
- 1.2** The Assistant Commissioner, Federal Finance, Financial Management Service (FMS), U.S. Department of the Treasury, will act as the Treasury's representative in all matters concerning this Agreement.

2.0 AUTHORITY

- 2.1** The authority for this Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), codified at 31 USC 6501 and 31 USC 6503.
- 2.2** The regulations codified at 31 CFR Part 205 will apply to all matters pertaining to this Agreement, and are incorporated by reference herein.

3.0 DURATION, AMENDING, AND TERMINATING

- 3.1** This Agreement will take effect on July 1, 2002 and will remain in effect until June 30, 2003.
- 3.2** This Agreement may be amended at any time by written, mutual consent of the State and the FMS.

3.3 The Secretary will sign or reject a proposed amendment to the Agreement within 30 business days from receipt of the amendment by the FMS.

3.4 This Agreement may be terminated by either party with 30 calendar days written notice.

4.0 DEFINITIONS

In addition to the definitions contained in 31 CFR Section 205.2 which will govern the interpretation of any terms cited in this Agreement, the following definitions will clarify the terms used in this Agreement which are unique to the State:

Claim schedule is an expenditure voucher from a State department requesting payment of a lawful obligation of the State. The claim form is a schedule showing the legal authority under which the claim may be paid and the amounts to be charged.

Check is an instrument for payment on demand for a specific amount from a bank account in the centralized State Treasury System.

Warrant is an order drawn by the State Controller's Office for payment from a fund in the State Treasury and not from a bank account.

Office Revolving Fund (ORF) is a bank account in the centralized State Treasury System with a sum of money advanced from a State department's appropriation. The State department makes disbursements from the ORF with checks. The ORF is reimbursed later for these disbursements by a warrant drawn against the balance of the State department's appropriation.

Clearance Patterns, as defined in 31 CFR Section 205.2, will be used to schedule the receipt of federal funds for interest neutral funding techniques.

Redemption Patterns are the weighted average days from warrant issuance to clearance/redemption that are used to calculate the interest liabilities for pre-issuance funded payment components.

Clearance/redemption is paying out funds for program purposes.

Refund Transaction means an entry to the record of a State bank account representing a single deposit of refunds of \$50,000 or more. A refund transaction may consist of a single check or item, or a bundle of accumulated checks.

State Controller's Office (SCO) is responsible, in part, for fiscal control over the receipt and disbursement of public funds.

State Treasurer's Office (STO) is responsible, in part, for the custody of all money and securities, investment of money, and the redemption and reconciliation of State warrants drawn by the SCO.

State Department of Finance (Finance) is responsible, in part, for maintaining a complete and uniform state accounting system. The Fiscal Systems and Consulting Unit is responsible for administering the Cash Management Improvement Act.

Local agencies are entities that receive assistance payments from the State departments. Depending on the programs, disbursements are made to one or more local agencies. The primary entities include city government, county government, community based organizations, school districts, and various service providers.

Federal interest days are the number of days the State owes interest to the federal government.

State interest days are the number of days the federal government owes interest to the State.

5.0 PROGRAMS COVERED

- 5.1** The State's threshold and the major federal assistance programs are determined based on information in the State's 2000-01 Single Audit Report. All major federal assistance programs are covered by this Agreement, unless otherwise specified in this Agreement.
- 5.2** The State's threshold for major federal assistance programs is \$150 million. The following programs meet or exceed the threshold:

<u>CFDA No.</u>	<u>Program Name</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.561	State Administrative Matching Grants for Food Stamp Program
16.606	State Criminal Alien Assistance Program (SCAAP)
17.225	Unemployment Insurance
17.258	WIA Adult Program
20.205	Highway Planning and Construction
66.458	Capitalization Grants for State Revolving Funds
83.544	Public Assistance Grants
84.010	Title 1 Grants to Local Educational Agencies
84.027	Special Education—Grants to States
84.032	Federal Family Education Loans
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care—Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	State Children's Insurance Program
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security—Disability Insurance
96.006	Supplemental Security Income

5.2.1 The following programs exceed the State's threshold and are subject to a limited interest exemption pursuant to 31 CFR 205.25(f). The timing of the drawdown of Federal funds for deposit to the revolving funds are subject to the interest provisions of 31 CFR 205, however there is an interest exemption for the interest the State earns on the associated revolving fund loans.

66.458	Capitalization Grants for State Revolving Funds
84.032	Federal Family Education Loans

5.3 Above State's Threshold. Any federal assistance program that increases above the State's threshold in the State's current fiscal year will not be subject to this Agreement during that fiscal year. Based on the regulations, the State of California has calculated the threshold to be \$150 million for the period of the Agreement.

5.4 Programs Moved from Subpart B to A. The FMS will explain in writing to Finance whenever the FMS requires a program to be moved from coverage under Subpart B to Subpart A of the 31 CFR Part 205. The FMS will allow the State 60 business days to resolve any problems with Subpart B before requiring the State to cover the program in this Agreement. Only the affected program will be included under Subpart A.

5.5 Material Exemption

5.5.1 Where more than one State department is a recipient of federal funds for a program, a particular State department's funding may be excluded from interest calculation procedures if the State department receives less than 5% (\$7.5 million) of the State's \$150 million threshold for major federal assistance programs. Notwithstanding this potential exemption, however, in no case will less than 90% of a program's total funding be subject to interest calculation procedures.

If less than total program funding is subject to interest calculation procedures, the resulting interest liability calculations will be prorated to 100% of the pre-issuance funded program funds. (See Section 9.6.9)

6.0 ENTITIES COVERED

6.1 State departments and instrumentalities, which meet the definition of a state, per 31 CFR Part 205, are subject to the terms of this Agreement. The following is a list of the entities that administer the programs listed in Sections 5.2 and 5.2.1 of this Agreement.

<u>Org. Code</u>	<u>State Department</u>
0690	Office of Emergency Services
0860	State Board of Equalization
2660	Department of Transportation
3940	State Water Resources Control Board
4200	Department of Alcohol and Drug Programs
4260	Department of Health Services
4280	Managed Risk Medical Insurance Board
5100	Employment Development Department
5120	California Workforce Investment Board
5160	Department of Rehabilitation
5180	Department of Social Services

5240	Department of Corrections
6100	Department of Education
7980	Student Aid Commission

7.0 FUNDING TECHNIQUES

7.1 General Terms

7.1.1 Unless otherwise specified, the State uses the pre-issuance funding technique for the major federal assistance programs. Interest liabilities are incurred by the State under the provisions of CMIA because the State Constitution requires cash on hand before warrants are issued. The State's interest liabilities will be based on the number of days from the time federal funds are deposited in the State account until the funds are paid out for program purposes.

7.2 Description of Funding Techniques

7.2.1 The following are the terms under which a funding technique will be implemented for the transfers of funds to which the funding technique is applied in Section 7.3 of this Agreement. Other mutually acceptable funding techniques will be described within Section 7.3 for specific programs. Requests for federal funds will be made in accordance with the federal agency cut-off times listed in Exhibit I, which is incorporated by reference herein.

7.2.2 Technique: Pre-issuance

Description: The State departments will make every effort to request federal funds such that they are deposited in a State account not more than three business days prior to the day the State makes a disbursement. Due to variances in processing time, the three business day deposit requirement will be met for the majority, but not 100 percent, of the fund requests for the major federal assistance programs.

7.2.3 Technique: After cost allocation

Description: The State departments will make payments for program purposes with State funds. Federal funds will be requested after actual costs are allocated to programs and funding sources, or based on estimated allocations.

7.2.4 Technique: Modified zero balance accounting

Description: The State departments will request an estimated amount of federal funds each day for food voucher redemption. The estimated amount is calculated based on the average daily requested amount over a one year period. The federal funds will be transferred to the State on the following business day to redeem the vouchers submitted for payment that day. Adjustments to the daily amounts requested for the difference between the estimated and actual redeemed voucher amounts will be made two days in arrears. The State and federal government will not incur any interest liability for the minor adjustment amounts.

7.2.5 Technique: Post-issuance

Description: The State department will request federal funds between the dates on which checks for benefit payments are issued and the estimated date of

redemption of the checks. The amount requested each day from the Unemployment Trust Fund (UTF) will be the total amount of unemployment benefit checks estimated to be redeemed one day from the request date. The State department may request an amount less than the amount to be redeemed to offset any accumulated residual balances.

The funds are requested and received on the same day and generally are deposited in a State account one day prior to the estimated date of redemption. The State Treasurer will earn interest credits on the funds during this period. The State department will monitor the interest credits earned and, if necessary, readjust the request date to keep the residual interest credits at or near zero. However, the State department will not adjust the request date back greater than four days prior to the estimated date of redemption without seeking an amendment to this Agreement. The State department will report interest credits earned and related banking costs in the Annual Report to the FMS. Residual interest credits are not available to return annually to the State's account in the UTF.

The State department receives on a daily basis from the STO the number of checks paid and the amount paid for each centralized State Treasury System account. The estimate of the check redemption amount is based on prior history of what normally is redeemed for the day that the federal funds are requested for (usually an average of the last four weeks).

7.2.6 Technique: Zero balance accounting

Description: The State departments will request federal funds one day before the funds are transferred to the service delivery area agencies. The funds will be transferred to the State on the following business day. On the same day that the federal funds are deposited in a State account, the funds will be wire transferred or interbranch deposited into the service delivery area department bank accounts. No State and federal interest liability will be incurred if funds are deposited in a State account on the next business day and the funds are paid out for program purposes on the same day.

7.2.7 Technique: Average clearance

Description: The State departments will request federal funds from the Federal Highway Administration for payments processed through the department's Transportation Accounting and Management System. Funds will be transferred to the department the same day in order to coincide with the historical average clearance patterns as calculated in Section 8.1. The historical average clearance patterns of 16 days will be used for consultant contract payments and 17 days will be used for right of way and subvention payments.

7.2.8 Technique: Monthly draws

Description: This category consists primarily of payroll and related benefits paid by the Department of Transportation. Labor is paid by the State monthly, and the State department will request funds on a monthly basis, after it has paid out State funds and allocated the costs to the appropriate projects. The State and federal government will not incur any interest liability as specified in Section 9.6.3.

7.2.9 Technique: Monthly report

Description: The Student Aid Commission's auxiliary organization will purchase defaulted student loans from financial institutions using federal funds held in a revolving fund. Each month a report of actual program expenditures will be submitted by the auxiliary organization to the U.S. Department of Education. The federal agency will generally transfer funds to the State department within 60 days of receiving the expenditure report. This program is subject to an interest exemption as specified in Section 9.6.8.

7.2.10 Technique: Reimbursement

Description: The State departments will request funds after it has made payments for program purposes with State funds.

7.2.11 Technique: Monthly estimate/monthly draw

Description: The State departments will estimate the monthly expenditures during the first week of each month. This amount will be requested within the first ten working days of each month. The State department will reconcile the actual expenditures to the estimate for each month and adjust the subsequent request for funds.

7.2.12 Technique: SCAAP Compensation

Description: SCAAP (P.L. 103-317) provides compensation for some of the costs associated with incarcerating undocumented criminal aliens. SCAAP compensation for State fiscal year 2002-03 (July 1, 2002 – June 30, 2003) is split between funding from federal fiscal year 02 (October 1, 2001 - September 30, 2002), and federal fiscal year 03 (October 1, 2002 - September 30, 2003). The State is entitled to 1/12 of the FFY02 SCAAP grant award for each of the first three months (July - September) of the State's fiscal year 2002-03. The State is entitled to 1/12 of the FFY03 SCAAP grant award for each of the remaining nine months (October thru June) of the State's fiscal year 2002-03. The State is entitled to 1/12 of the annual compensation on the median business day of the month. The median payment day accounts for the even payment of SCAAP related State expenditures throughout the month.

NOTE: The State must draw its SCAAP award(s) immediately upon notification of the award(s) by U.S. DOJ. Federal interest will not accrue for the time period the State delays drawing SCAAP funds after the award date.

7.3 Application of Funding Techniques to Programs

The State will apply the following funding techniques to the component cash flows of the programs listed in Sections 5.2 and 5.2.1 of this Agreement.

7.3.1 CFDA 10.553 - School Breakfast Program

Recipient: Department of Education
100%

Component: Payments to local agencies
Technique: Pre-issuance

7.3.2 CFDA 10.555 - National School Lunch Program

Recipient: Department of Education
100%

Component: Payments to local agencies
Technique: Pre-issuance

7.3.3 CFDA 10.557 - Special Supplemental Nutrition Program for Woman, Infants, and Children

Recipient: Department of Health Services
100%

Component: Payroll/Operating expenses (4.4% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to local contractors
Technique: Pre-issuance

Component: Food voucher redemption
Technique: Modified zero balance accounting

7.3.4 CFDA 10.558 - Child and Adult Care Food Program

Recipient: Department of Education
100%

Component: Payroll/Operating expenses (0.6% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies
Technique: Pre-issuance

7.3.5 CFDA 10.561 - State Administrative Matching Grants for Food Stamp Program

Recipient: Department of Social Services
100%

Component: Payroll/Operating expenses (2.9% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies
Technique: Pre-issuance

7.3.6 CFDA 16.606 - State Criminal Alien Assistance Program

Recipient: Department of Corrections - Federal Immigration Funding-Incarceration
100%

Component: Payroll and operating expenses
Technique: SCAAP Compensation
Description: SCAAP (P.L. 103-317) provides compensation for some of the costs associated with incarcerating undocumented criminal aliens. SCAAP compensation for State fiscal year 2002-03 (July 1, 2002 – June 30, 2003) is split between funding from federal fiscal year 02 (October 1, 2001 - September 30, 2002), and federal fiscal year 03 (October 1, 2002 - September 30, 2003). The State is entitled to 1/12 of the FFY02 SCAAP grant award for each of the first three months (July - September) of the State's fiscal year 2002-03. The State is entitled to 1/12 of the FFY03 SCAAP grant award for each of the remaining nine months (October thru June) of the State's fiscal year 2002-03. The State is entitled to 1/12 of the annual compensation on the median business day of the month. The median payment day accounts for the even payment of SCAAP related State expenditures throughout the month.

NOTE: The State must draw its SCAAP award(s) immediately upon notification of the award(s) by U.S. DOJ. Federal interest will not accrue for the time period the State delays drawing SCAAP funds after the award date. (See Section 9.6.10)

7.3.7 CFDA 17.225 - Unemployment Insurance (UI)

Recipient: Employment Development Department
100%

Component: Payroll/Operating expenses
Technique: Pre-issuance/After cost allocation

Component: Benefit payments
Technique: Post issuance

7.3.8 CFDA 17.258 – WIA Adult Program (formerly 17.255 – Workforce Investment Act)

Recipient: Employment Development Department
100%

Component: Payroll/Operating expenses
Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies
Technique: Zero balance accounting

7.3.9 CFDA 20.205 - Highway Planning and Construction

Recipient: Department of Transportation
99.998%

Component: Payments for consultant contracts, right-of-way, and subventions
Technique: Average clearance

Component: Payments for construction contracts (includes subvention reimbursements)

Technique: Pre-issuance

Component: Payments for labor

Technique: Monthly draws

Component: Payments for revolving fund, miscellaneous direct payments, utilities, service center charges, accounts receivable/reimbursement adjustments, and other miscellaneous adjustments

Technique: Reimbursement

Description: The Department of Transportation will request federal funds once the expenditures have been incurred, recorded and identified as billable. In most instances, the request of funds will occur after the State has paid out its funds. The State and federal government will not incur any interest liability as specified in Section 9.6.3.

Materiality exemption: Board of Equalization
0.002% (See Section 9.6.9)

7.3.10 CFDA 66.458 - Capitalization Grants for State Revolving Funds

Recipient: State Water Resources Control Board
100%

Component: Payroll/Operating expenses (2.1% of grant)

Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies

Technique: Pre-issuance

Description: The State department will request federal funds by sending an Automated Clearinghouse request by fax to the U.S. Environmental Protection Agency (EPA), Region IX, in San Francisco, CA. Requests received by EPA before 11 a.m. will be processed that day. After 11 a.m., it will be processed the next business day. The federal funds will be deposited in a State account two business days after the request is processed. The federal funds are requested not more than 3 business days prior to issuing warrants. This program is subject to a limited interest exemption. (See Sections 5.2.1 and 9.6.8)

7.3.11 CFDA 83.544 - Public Assistance Grants

Recipient: Office of Emergency Services
100%

Component: Payroll/Operating expenses (2.0% of grant)

Technique: Pre-issuance/After cost allocation

Component: Payments to State and local agencies

Technique: Pre-issuance

7.3.12 CFDA 84.010 - Title 1 Grants to Local Educational Agencies

Recipient: Department of Education
 100%

Component: Payroll/Operating expenses (1.1% of grant)

Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies

Technique: Pre-issuance

7.3.13 CFDA 84.027 - Special Education—Grants to States

Recipient: Department of Education
 100%

Component: Payroll/Operating expenses (4.1% of grant)

Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies

Technique: Pre-issuance

7.3.14 CFDA 84.032 - Federal Family Education Loans

Recipient: Student Aid Commission

Component: Operating transfers to auxiliary organization for payroll and operating expenditures and for the purchase of defaulted student loans.

Technique: Monthly report by auxiliary organization

Sub-Recipient: Student Aid Commission's Auxiliary Organization

100%

(The auxiliary organization is a nonprofit public benefit corporation for the purpose of providing operational and administrative services for the commission's participation in the Federal Family Education Loans program.)

Component: Payroll and operating expenses

Technique: Pre-issuance

Component: Payments to purchase defaulted student loans

Technique: Monthly report

7.3.15 CFDA 84.126 - Rehabilitation Services—Vocational Rehabilitation Grants to States

Recipient: Department of Rehabilitation
 100%

Component: Payroll/Operating expenses

Technique: Pre-issuance/After cost allocation

Component: Payments to vendors
Technique: Pre-issuance

Component: Payments to clients
Technique: Reimbursement

Description: The State department will request federal funds approximately twice a week for Office Revolving Fund (ORF) checks that are issued to program clients for immediate needs. The State chooses to use reimbursable funding for this component because the administrative burden of doing otherwise would exceed any benefit derived. The federal government will not incur any interest liability to the State under these procedures.

7.3.16 CFDA 93.558 - Temporary Assistance for Needy Families

Recipient: Department of Social Services
100%

Component: Payroll/Operating expenses (0.7% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies
Technique: Pre-issuance

7.3.17 CFDA 93.575 - Child Care and Development Block Grant

Recipient: Department of Education
100%

Component: Payroll/Operating expenses
Technique: Pre-issuance/After cost allocation

Component: Payments to child care providers
Technique: Monthly estimate/monthly draw

Component: Payments to local education agencies and various State departments
Technique: Pre-issuance

7.3.18 CFDA 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Recipient: Department of Education
100%

Component: Payroll/Operating expenses (3.8% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to child care providers
Technique: Monthly estimate/monthly draw

Component: Payments to local education agencies and various State departments.

Technique: Pre-issuance

7.3.19 CFDA 93.658 - Foster Care—Title IV-E

Recipient: Department of Social Services
100%

Component: Payroll/Operating expenses (2.1% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies
Technique: Pre-issuance

7.3.20 CFDA 93.659 - Adoption Assistance

Recipient: Department of Social Services
100%

Component: Payroll/Operating expenses (1.3% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies
Technique: Pre-issuance

7.3.21 CFDA 93.667 - Social Services Block Grant

Recipient: Department of Social Services
100%

Component: Payroll/Operating expenses (25.3% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to service providers and to State and local agencies
Technique: Pre-issuance

7.3.22 CFDA 93.767 - State Children's Insurance Program

Recipient: Managed Risk Medical Insurance Board
90.95%

Component: Payroll/Operating expenses (.9% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to health insurance providers, enrollment contractor, and local agencies
Technique: Pre-issuance

Recipient: Department of Health Services
9.05%

Component: Payroll/Operating expenses (.3% of grant)

Technique: Pre-issuance/After cost allocation

Component: Payments to health care providers and to State and local agencies
Technique: Pre-issuance

7.3.23 CFDA 93.778 - Medical Assistance Program

Recipient: Department of Health Services
100%

Component: Payroll/Operating expenses (1.4% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to health care providers and local agencies
Technique: Pre-issuance
Description: The State department contracts with a fiscal intermediary to audit the claims from the health care providers, make a determination on the payment amount, and provide the State department with the payment information. The fiscal intermediary does not pay, collect, or hold any federal funds on behalf of the State. The payments are made with warrants from the SCO.

7.3.24 CFDA 93.959 - Block Grants for Prevention and Treatment of Substance Abuse

Recipient: Department of Alcohol and Drug Programs (DADP)
100%

Component: Payroll/Operating expenses (6.7% of grant)
Technique: Pre-issuance/After cost allocation

Component: Payments to local agencies
Technique: Pre-issuance

Component: Funding to the Department of Health Services (DHS) for Chapter 1009, Statutes of 1994 (Stop Tobacco Access to Kids Enforcement Act), as amended by Chapter 648, Statutes of 1998.

Technique: Pre-issuance
Description: DADP will deposit funds in the Federal Trust Fund. The SCO will transfer the funds to DHS Sale of Tobacco to Minors Control Account (See Section 9.6.11)

7.3.25 CFDA 96.001 - Social Security—Disability Insurance

Recipient: Department of Social Services
100%

Component: Payroll/Operating expenses
Technique: Pre-issuance/After cost allocation

7.3.26 CFDA 96.006 - Supplemental Security Income

(See Section 10.0 - 10.6 for program detail—Under review and Revision by FMS)

7.4 State funds may be insufficient during some months of a fiscal year for any of the above programs that usually request federal funds for expenses after cost allocation. Under these circumstances, the State department will request the federal funds for expenses in advance of warrant issuance and the State will be liable for interest on these funds.

7.5 For the major federal assistance programs in which more than one State department requests funds, the percentage of funds received by each State department is based on information from the SCO Federal Trust Fund report for State fiscal year 2000-01.

8.0 CLEARANCE/REDEMPTION PATTERNS

8.1 The State Department of Transportation (DOT) will use the following methodology to develop separate clearance patterns (to be used for scheduling fund requests) for payments for consultant contracts, right-of-way, subventions, and construction contracts (including subvention reimbursements) for the Highway Planning and Construction program (CFDA 20.205).

8.1.1 The State DOT will develop the clearance patterns for the Highway Planning and Construction program.

8.1.2 The sources of data used for developing the clearance patterns are from the DOT's accounting system and information recorded at the SCO.

8.1.3 The State DOT will use the statistical sampling method to develop the average clearance patterns for this program. Separate clearance patterns will be established for applicable disbursement categories based on the accounting code unique to the disbursement category. All transactions for the disbursement category that were reimbursed by the federal government during a period not less than 3 months will be identified. From this group of transactions, a pilot sample of at least 30 items will be selected to determine the sample size required to achieve a 95 percent confidence interval accurate to within +/- 0.3 dollar-weighted days. Based on the pilot sample, the sample will be expanded to include the required number of sample items and a 95 percent confidence interval accurate to within +/- 0.3 dollar-weighted days will be achieved.

8.1.4 The State DOT will use the following method to calculate the dollar-weighted average day of clearance:

(a) The clearance pattern will be calculated by identifying when the transaction was batched in the department's accounting system and when the warrant related to the transaction was redeemed. Based on this calculation, an average clearance pattern will be developed on a dollar-weighted basis by multiplying the number of days between the accounting batch date and warrant redemption date.

(b) Each clearance pattern may be reviewed quarterly and, if reviewed, adjusted to increase or decrease the clearance pattern based on the historical trend including the most recent quarter.

8.1.5 The clearance patterns for the Highway Planning and Construction program will be calculated in calendar days.

8.1.6 An official from the State DOT will certify that the clearance patterns developed for the Highway Planning and Construction program (CFDA 20.205) accurately corresponds to the clearance activity of the program to which it is applied. The State DOT will recertify the clearance patterns at least every five years.

8.1.7 The State DOT will follow the procedures of 31 CFR Section 205.22 if it has actual or constructive knowledge, at any time, that a clearance pattern for the Highway Planning and Construction program does not correspond to the program's clearance activity.

8.2 Finance will develop separate redemption patterns, as specified in Exhibit II, for the pre-issuance funded payment components for the programs listed below.

<u>CFDA No.</u>	<u>Program Name</u>
10.553	School Breakfast Program
10.555	National School Lunch
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.561	State Administrative Matching Grants for Food Stamp Program
83.544	Public Assistance Grants
84.010	Title 1 Grants to Local Educational Agencies
84.027	Special Education—Grants to States
84.126	Rehabilitation Services—Vocational Rehabilitation Grants to States
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care—Title IV-E
93.659	Adoption Assistance
93.767	State Children's Insurance Program
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse

The redemption patterns for the above programs were developed from warrants redeemed from January through December 2001. The redemption patterns were calculated based on at least three months of information.

8.3 The State will apply its own existing programs' redemption patterns to the pre-issuance funded payment component for the programs listed below. The comparable redemption patterns applied to the programs are based on similar types of payees for both programs.

8.3.1 The redemption pattern for CFDA 17.255 - Workforce Investment Act will be applied to the new program CFDA 17.258 - WIA Adult Program.

8.3.2 The redemption pattern for CFDA 93.658 – Foster Care—Title IV-E will be applied to CFDA 93.667 - Social Services Block Grant. There was insufficient data to calculate a redemption pattern for this program.

8.4 The State will use the following methodology to develop redemption patterns (to be used for interest liability calculations) for the pre-issuance funded payment components for the programs listed in Section 8.2.

8.4.1 The SCO will develop the redemption patterns for specified programs and funds.

8.4.2 The source of data the State will use when developing its redemption patterns are the SCO's paid warrants files.

8.4.3 When developing the redemption patterns for the programs listed in Section 8.2, the State will track at least 99% of the funds disbursed from issuance to redemption during a period of at least three months.

8.4.4 The State will use the following method to calculate the weighted average days of redemption:

(a) To determine the number of days each warrant was outstanding (redemption time), the issue date will be subtracted from the date stamped by the STO.

(b) To determine the percentage of the disbursement paid out each day following issuance, the dollar amount of the warrants which clear the State's account each day will be summed and then divided by the dollar amount of the total disbursement.

(c) For each day following issuance, the redemption time of the warrants paid out that day will be multiplied by the percentage of the total disbursement those warrants represent. This product is the dollar-weighted redemption factor.

(d) To determine the total dollar-weighted average days of redemption for the month, the dollar-weighted redemption factor of each day following the disbursement will be summed.

(e) The total dollar-weighted average days of redemption for each month will be weighted against the total amount of dollars redeemed each month. The sum of the dollar-weighted average days of redemption will be used in the calculation of interest liability.

8.4.5 For the redemption patterns that are more than one day, the State will adjust by one day each redemption pattern applied to the pre-issuance funded payment components for the programs listed in Section 8.2. Funds are paid out for program purposes by the bank one day earlier than the date stamped on the warrants by the STO. The number of redemption days calculated by the SCO is based on the issuance date of the warrant and the date stamped by the STO after the bank redeems the warrant. (The issuance date is the date the warrants are mailed, released or otherwise

made available to the recipients.) This adjustment will reflect accurately when funds are paid out for program purposes.

8.4.6 Each program's redemption pattern is calculated in calendar days.

9.0 INTEREST CALCULATION METHODOLOGY

9.1 General Terms

9.1.1 Where zero balance accounting, post-issuance (see Section 7.2.5), average clearance, monthly report, monthly estimate/monthly draw funding techniques are applied, the State and federal government will not incur any interest liability for transfers of funds made in accordance with the procedures specified in Section 7.0 of this Agreement.

9.1.2 The State will maintain information on disbursements and receipts of funds to verify the implementation of the pre-issuance funding technique. For each program with pre-issuance funded payment component(s), the State will maintain the following information:

- (1) Date federal funds requested
- (2) Date federal funds deposited
- (3) Amount of federal funds deposited
- (4) Date of issuance for warrants
- (5) Amount of the disbursement

9.2 Federal Interest Liabilities

9.2.1 Unless otherwise specified, a federal interest liability will accrue from when the State pays out its funds for program purposes and federal funds are deposited in a State account.

9.2.2 The State will use the following method to calculate federal interest liabilities:

- (a) The State will use the actual activity method to calculate federal interest liabilities. With federal-state matching programs, interest will be calculated on the federal share of the disbursement.
- (b) To determine the total time State funds are paid out for program purposes prior to the deposit of federal funds, the State will separately measure two time periods: (1) warrant issuance to federal funds deposit in a State account, and (2) warrant issuance to redemption.
- (c) The period from when warrants are issued and federal funds are deposited in a State account will be determined from information documented by the State departments that administer the programs. The period from warrant issuance to redemption will be determined by the appropriate program or fund redemption pattern specified in Exhibit II.

9.2.3 To measure the time the State pays out its funds for program purposes prior to the deposit of federal funds, the State will document all fund requests and claim schedules for the applicable programs. For each claim schedule, the State will:

- (1) Subtract the warrant issue date from the federal fund deposit date.
- (2) Divide the individual net claim schedule amounts by the total net claim schedule amount.
- (3) Multiply the number of days from step 1 by the individual percentages from step 2 to determine the dollar-weighted interest days for each claim schedule.
- (4) Sum the dollar-weighted time for each claim schedule to arrive at the total dollar-weighted average number of days State funds are paid out for program purposes prior to deposit of federal funds.

9.2.4 The federal interest liability for the applicable program will be calculated by applying the following formula:

$I = P \times R \times (PT - CT)$ where

I = Total federal interest liability for a program

P = Total annual expenditures of federal funds for a program

R = Annualized rate equal to the average equivalent yields of 13-week Treasury Bills auctioned during a State's fiscal year divided by 365 days

PT = Weighted average number of days between when warrants are issued and the federal funds are deposited in a State account

CT = Weighted average number of days federal funds are held by the State between issuance and redemption of warrants, as determined by the appropriate program or fund redemption pattern specified in Exhibit II.

9.3 The Unemployment Trust Fund

9.3.1 The State will use the following method to calculate State interest liabilities on funds withdrawn from several accounts in the Unemployment Trust Fund (UTF):

(a) The State Employment Development Department (EDD) initially requests funds for the Federal Employees Compensation Account (FECA) and the Extended Unemployment Compensation Account (EUCA) benefit payments from the State's account in the UTF. The State's account is repaid from the FECA and EUCA after actual expenditure information is identified. Under this procedure, the State will be liable only for actual interest credit earned less related banking costs on funds withdrawn from the State account.

(b) If the State EDD changes its procedures and requests funds directly from the FECA and EUCA, the State will incur an interest liability to the federal government. At the end of each State fiscal year, the State will calculate the percentage of its total unemployment compensation expenditures for: (a) funds withdrawn from the State account in the UTF, or the "state percentage," and (b) funds withdrawn from the FECA and EUCA, or the "federal percentage." The State will calculate actual interest credit earnings less related banking costs attributable to funds withdrawn from the State account by multiplying the state percentage by the amount of actual interest credit earnings and the related banking costs of the benefit payment account on the whole.

(c) The State's interest liability on funds withdrawn from FECA and EUCA will be the average daily balance of federal funds (calculated by multiplying the average daily balance of the benefit payment account by the federal percentage) multiplied by the appropriate 13-week Treasury Bill rate provided by the FMS.

9.4 Refund Liabilities

9.4.1 The State is liable for interest on refunds from when the refund is deposited in a State account and the refund is paid out for program purposes, except for the Medical Assistance Program (CFDA 93.778).

9.4.2 Each State department will document the following information on separate worksheets for each pre-issuance funded program, except for the Medical Assistance Program:

- (1) Date refunds are deposited in a State account.
- (2) Warrant issue date for the disbursement related to the subsequent deposit of federal funds.
- (3) Amount of the refunds.

9.4.3 The State will use the following methodology to calculate interest liabilities on refunds for pre-issuance funded programs, except for the Medical Assistance Program (See Section 9.4.4).

(a) The State will apply a \$50,000 refund transaction threshold for all programs, except for the Medical Assistance Program. A refund transaction may consist of a single check or item, or a bundle of accumulated checks representing a single refund deposit. The State will not incur or calculate interest liabilities on refunds below the threshold.

(b) Interest will be calculated based on the difference in whole days between the time refunds are deposited in a State account and when refunds are paid out for program purposes. The State will measure this period by dividing it into two periods: the pre-disbursement period and the redemption period. The pre-disbursement period is from deposit of refunds to issuance of warrants. The redemption period is from the issuance to redemption of warrants.

9.4.4 The State Department of Health Services (DHS) will document the following information on separate worksheets for the refunds received by the Medical Assistance Program:

- (1) Mid-point date refunds are deposited in a State account.
- (2) Warrant issue date for the disbursement related to the subsequent deposit of federal funds.
- (3) Amount of the refunds.

9.4.5 The State will use the following methodology to calculate interest liabilities on refunds for the Medical Assistance Program:

(a) The State will incur and calculate interest liabilities on all refunds for the Medical Assistance program. The \$50,000 refund transaction threshold will not be applied.

(b) Interest will be calculated based on the difference in whole days between the mid-point date the refunds are deposited in a State account and when refunds are paid out for program purposes. The State will measure this period by dividing it into two periods: the pre-disbursement period and the redemption period. The pre-disbursement period is from mid-point date for deposit of refunds to issuance of warrants. The redemption period is from the issuance to redemption of warrants.

9.4.6 For the pre-disbursement period, the individual refund amounts and corresponding number of pre-disbursement days will be used to calculate the total weighted average days for each program. For the redemption period, the period will be determined by the appropriate program redemption pattern specified in Exhibit II.

The total weighted average days for the two periods will be applied to the total refunds to calculate the State interest liabilities. The calculations will use a formula similar to Section 9.5.4.

9.4.7 A State department will have the option of returning the refunds to the federal government and/or offsetting the refunds against subsequent fund request(s). If a refund is returned, the State interest liability to the federal government will be calculated from the refund deposit date in the State account to the deposit date in the federal government's bank account.

9.5 State Interest Liabilities

9.5.1 A State interest liability will accrue from when federal funds are deposited in a State account and the funds are paid out for program purposes.

9.5.2 The State will use the following method to calculate State interest liabilities on federal funds:

(a) The State will use the actual activity method to calculate State interest liabilities. With federal-state matching programs, interest will be calculated on the federal share of the disbursement.

(b) To determine the total time federal funds are held, the State will separately measure two time periods: (1) federal funds deposit in State account to warrants issuance, and (2) warrants issuance to redemption.

(c) The period from when federal funds are deposited and warrants are issued will be determined from information documented by the State departments that administer the programs. The time period from warrant issuance to redemption will be determined by the appropriate program or fund redemption pattern specified in Exhibit II.

9.5.3 To measure the time federal funds are held in a State account prior to disbursement, the State will document all fund requests and claim schedules for the applicable programs. For each claim schedule, the State will:

- (1) Subtract the federal fund deposit date from the warrant issuance date.
- (2) Divide the individual net claim schedule amounts by the total net claim schedule amount.

- (3) Multiply the number of days from step 1 by the individual percentages from step 2 to determine the dollar-weighted interest days for each claim schedule.
- (4) Sum the dollar-weighted time for each claim schedule to arrive at the total dollar-weighted average number of days federal funds are held by the State prior to issuance of warrants.

9.5.4 The State's interest liability for each program will be calculated by applying one of the following applicable formulas:

$$I = P \times R \times (PT + CT) \text{ or } P \times R \times (CT - DT) \text{ where}$$

I = Total State interest liability for a program

P = Total annual expenditures of federal funds for a program

R = Annualized rate equal to the average equivalent yields of 13-week Treasury Bills auctioned during a State's fiscal year divided by 365 days.

PT = Weighted average number of days federal funds are held by the State prior to issuance of warrants

CT = Weighted average number of days federal funds are held by the State between issuance and redemption of warrants, as determined by the appropriate program or fund redemption pattern specified in Exhibit II.

DT = Weighted average number of days between when warrants are issued and the federal funds are deposited in a State account. The "DT" number of days is less than the "CT" number of days.

9.5.5 The State DOT will use the following method to calculate and document the interest liability for payments for construction contracts for the Highway Planning and Construction program (CFDA 20.205).

(a) To determine the total time federal funds are held for construction contract payments, the State DOT will measure the time from when federal funds are deposited in a State account and the funds are paid out for program purposes.

(b) This period will be determined from information captured by the State DOT's accounting system and information recorded at the State Controller's Office.

(c) To measure the time federal funds are held in a State account, from deposit to pay out, the State DOT will use statistical sampling. The sample will be randomly selected and will be of sufficient size to ensure, at a minimum, a 95% confidence level no wider than + or - 0.3 dollar-weighted days about the estimated mean.

For each warrant in the sample population, the State DOT will:

- (1) Subtract the deposit date from the redemption date.
- (2) Multiply the difference of step 1 by the warrant amount.
- (3) Divide the product of step 2 by the total amount of funds drawn in the sample to determine the dollar-weighted number of days federal funds were held in a State

account.

- (4) Sum the result of step 3 for each warrant to arrive at the total dollar-weighted average number of days federal funds were held in a State account.

9.5.6 The State's interest liability for the Highway Planning and Construction program's construction contract payments will be calculated by applying the following formula:

$I = P \times R \times T$ where

I = State's interest liability

P = Amount of federal funds drawn for construction contract payments

R = Annualized interest rate equal to the average equivalent yields of 13-week Treasury Bills auctioned during the State's fiscal year divided by 365 days.

T = Dollar-weighted average number of days federal funds are held in a State account, as calculated above.

9.6 Supplemental Provisions

9.6.1 Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA 10.557)—Rebates. Rebates will be offset against subsequent food voucher redemption. The State will not incur an interest liability if any interest earned on rebates is used for program purposes.

9.6.2 State Administrative Matching Grants for Food Stamps (CFDA 10.561)—Reimbursements. After the Food Nutrition Service's close-out of a Letter of Credit, any additional federal funds for a given fiscal year will be requested through the submission of a Request for Advance or Reimbursement. The reimbursement process may require from 6 months to several years before federal fund payments are made.

During this waiting period, the State department will maintain an "accounts receivable" until the reimbursement payments are received. If State funds are paid out to reimburse local agencies, the federal government will incur an interest liability to the State from when State funds are paid out for program purposes and federal funds are deposited in a State account (subject to the limitations stated in 31 CFR 205.14).

9.6.3 Highway Planning and Construction (CFDA 20.205)—Other Payments. The State and federal government will not incur any interest liability for the State DOT's labor charges, which are made with State funds and subsequently reimbursed with federal funds. In addition, the State and federal government will not incur any interest liability for the categories of reimbursements which are not material to the program and the tracking of and accounting for the related interest liability would constitute an undue administrative burden. These categories are specified as follows: revolving fund payments, miscellaneous payments made directly to vendors by the SCO, utility payments, service center charges, accounts receivable/reimbursement adjustments, and other miscellaneous adjustments.

9.6.4 Due Date for Interest Rate. The Secretary will provide in writing on or before October 1 of each year the annualized 13-week Treasury Bill rate for the prior fiscal year. The rate information will be sent to Finance, Fiscal Systems and Consulting Unit.

9.6.5 Funds Drawn Down, Paid Out, But Never Redeemed. The State will not incur an interest liability on federal funds drawn down according to the appropriate funding technique/clearance pattern, paid out by the State but are never redeemed. These funds will be used to either reduce a subsequent federal drawdown or will be returned to the federal government.

9.6.6 Interest Liability Adjustments. The calculation of interest liabilities covered by this Agreement will be based upon simple interest. Interest will not be calculated on interest, including interest liability adjustments.

9.6.7 Adjustments to the Amount of Federal Funds Requested. To calculate interest liability, the State will track the cash flows of federal fund requests and refunds for the applicable federal assistance programs specified in Section 7.3.

The State will not calculate an interest liability on adjustments made to the amount of federal funds requested, such as changes to federal-state funding ratios, reconciliation for underdraws or overdraws, and the like.

9.6.8 Capitalization Grants for State Revolving Funds (CFDA 66.458) and Federal Family Education Loans (CFDA 84.032). These programs are subject to a limited interest exemption pursuant to 31 CFR 205.25(f). The timing of the drawdown of Federal funds for deposit to the revolving funds are subject to the interest provisions of 31 CFR 205, however, there is an interest exemption for the interest the State earns on the associated revolving fund loans. The State will not incur any interest liability for interest earned on revolving fund loans.

9.6.9 Materiality Exemption. The cash flow for the federal funds requested by the State departments that receive less than 5% of the total program funding will not be tracked due to the materiality exemption. The funding is for State administrative costs (payroll and operating expenses) and is requested after cost allocation.

9.6.10 State Criminal Alien Assistance Program (CFDA 16.606). A federal interest liability will accrue from the day the State pays out its own funds for program purposes to the day federal funds are credited to a State account. For purposes of SCAAP, the State is entitled to a federal interest liability if it does not receive 1/12 of the annual grant award on the median business day of each month. The median payment day accounts for the even payment of SCAAP related State expenditures throughout the month. Specifically, interest begins to accrue on the day following the median day of the month and terminates when the SCAAP award notice is issued by U.S. DOJ.

9.6.11 Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959)—Funding to the Department of Health Services (DHS) for Chapter 1009, Statutes of 1994. The State will incur an interest liability from the deposit date in the Federal Trust Fund to the transfer date to DHS Sale of Tobacco to Minors Control (STMC) Account. The funds are paid out for program purposes when transferred to the STMC account. The State interest liability will be calculated on the total funds

transferred each fiscal year for Chapter 1009, Statutes of 1994, as amended by Chapter 648, Statutes of 1998.

9.6.12 Disbursements Without Warrants. For payments made with journal entries (without warrants) between State departments, the State will incur an interest liability between the time federal funds are deposited in the State account and the journal entry date. The federal government will incur an interest liability between the journal entry date and the deposit of federal funds. The funds are paid out for program purposes when transferred to the other State department's account. In this case, one State department is acting as a vendor for another State department. There is no redemption period for these payments because the journal entries between the State departments occur simultaneously.

9.6.13 Calculation of Interest on Administrative Expenses. The State will calculate both State and federal interest liabilities on all administrative costs, including payroll expenses and State operating expenses. The State will incur an interest liability for federal funds that are drawn in advance of any administrative cost expenditure being made. The federal government will incur an interest liability for State funds that are paid out in advance of federal funds being received. These two calculations will be incorporated into the total interest liability information contained in the Annual Report.

10.0 REVERSE FLOW PROGRAMS

This Section is currently under review and revision by the Financial Management Service, Social Security Administration (SSA), and the State of California. The revision of the funding technique and interest calculation methodology that results from this intergovernmental review will be made retroactive to the implementation of the new schedule for payments required by P.L. 106-170, Section 410.

Until such time that the review is completed, the State will comply with SSA guidelines for the schedule of payments under SSI Supplemental Agreements.

10.1 Definition

The federal government makes payments on behalf of the State for the Supplemental Security Income (SSI) program (CFDA 96.006).

10.2 Funding Technique

The State and the federal government will apply the following funding technique to the SSI program:

Component: State Supplementary Payment (SSP)

Technique: *Until such time that the intergovernmental review is completed (see Section 10.0), the State will comply with SSA guidelines for the schedule of payments under SSI Supplemental Agreements.*

Description: SSA Guidelines

10.3 Clearance Pattern

The clearance pattern methodology as well as the funding technique and interest calculation methodologies are under review to implement the provisions of P.L. 106-170, Section 410. Until such time that the review is completed, the prevailing clearance pattern methodology will apply to the SSI Program.

The revisions that result from the review will be made retroactive to the implementation of the new schedule for payments required by P.L. 106-170, Section 410.

The following is the prevailing clearance pattern methodology that will apply to the SSI Program until the intergovernmental review is complete:

The clearance patterns under the SSI program were developed by the Federal Reserve, on behalf of the federal government, as part of the above referenced April 1993 study conducted by the Federal Reserve. In addition, the average day of clearance of SSI/SSP payments made to individuals by direct deposit on the regularly designated day of the month for delivery of SSI/SSP payments to individuals in said regularly designated day. The average day of clearance of SSI/SSP payments made to individuals by direct deposit on days later in a month is the 11th business day of the month.

10.4 Interest Calculations

The interest calculation methodology, as well as the funding technique and clearance pattern methodology are under review to implement the provisions of P.L. 106-170, Section 410. Until such time that the review is completed, the prevailing interest calculation methodology will apply to the SSI Program.

The revisions that result from the review will be made retroactive to the implementation of the new schedule for payments required by P.L. 106-170, Section 410.

The following is the prevailing interest calculation methodology that will apply to the SSI Program until the intergovernmental review is complete:

The federal government will use the following method to calculate and document federal and State interest liabilities for SSP. To calculate the federal and State interest liability payments made prior to and after the SSP Transfer Date (early payments and late payments, respectively), the SSA will record the deposit date of each monthly State payment and compare it to the SSP Transfer Date for each month. The federal liability for interest on early payments and the State liability for interest on late payment will be based on the difference in whole days between these two dates.

The SSA will calculate federal and State interest liabilities on the difference between the amount of the monthly State payment to the SSA, which is based on an estimate, and the actual amount of monthly outlays for SSP payments made by the SSA on behalf of the State. To the extent the State payment is greater than actual outlays, a federal interest liability will be incurred. To the extent the State payment is less than actual outlays, a State interest liability will be incurred.

In either case the interest liability will be calculated based on the difference in whole days from the date the monthly State payment was credited to a federal account to the day a subsequent monthly State payment that reflects an adjustment reconciling the difference is credited to a federal account.

10.5 Refunds

The adjustment procedures for refunds also is under review. Until such time that the review is completed, the prevailing procedures will continue to apply for refunds. *The revisions that result from the review will be made retroactive to the implementation of the new schedule for payments required by P.L. 106-170, Section 410.*

The following are the prevailing procedures for refunds will apply to the SSI Program until the intergovernmental review is complete:

The estimated amount of each monthly State payment required to be transferred to the federal government on the SSP Transfer Date reflects a credit to the State for an amount of estimated refunds of SSP that the SSA anticipates it will collect on behalf of the State in that month. Accordingly, the federal government will not incur or calculate interest liabilities on the amount of such refunds of SSP.

10.6 Interest Report

The annual interest report from the federal agency for the reverse flow program will be mailed or send by FAX in sufficient time to be received by Finance, Fiscal Systems and Consulting Unit, on or before December 1 of each year.

11.0 INTEREST CALCULATION COSTS

11.1 Interest calculation costs will include all costs incurred by the Department of Finance because of the mandates of the CMIA and its regulations. All the CMIA activities performed by the Department of Finance ultimately lead to the calculation of interest and the development and maintenance of clearance patterns.

11.2 The State will submit all claims for reimbursement of interest calculation costs with its Annual Report according to 31 CFR Part 205.

12.0 AUDIT DOCUMENT

12.1 The Agreement will be the primary document for audits in accordance with Chapter 75 of Title 31, United States Code, "Requirements for Single Audits." The Agreement documents specific processes agreed to by both parties. These agreed upon processes reflect the unique operations of the State.

13.0 AUTHORIZED SIGNATURES

Dated May 20, ~~2002~~
2003

Original Signed by

Kathryn Radtkey-Gaither
Assistant Director, Operations
Department of Finance

Dated June 28 , 2002

Original Signed by

Betty H. Lane
Assistant Commissioner
Federal Finance
Financial Management Service
U.S. Department of the Treasury

Exhibit I

CMIA TREASURY-STATE AGREEMENT Funds Request and Receipt Times Schedule Prepared: June 2002

Federal Agency	Payment Type	Request Cut-Off Time	Receipt Window (Bank Business Days)
Agriculture – FS	ACH	3:00 pm, EST	Next Day
Agriculture-FNS	ACH Fedwire	11:59 pm, EST 5:45 pm, EST	Next Day Same Day
Commerce-NOAA	ACH	2:00 pm, EST	Next Day
Education	ACH Fedwire	3:00 pm, EST 2:00 pm, EST	Next Day Same Day
Energy	ACH Fedwire	4:00 pm, EST 3:00 pm, EST	Next Day Same Day
EPA	ACH Fedwire	2:00 pm, EST 2:00 pm, EST	Two Days Same Day
FEMA	ACH Fedwire	7:30 pm, EST 2:00 pm, EST	Next Day Same Day
HHS	ACH Fedwire	7:30 pm, EST 3:00 pm, EST	Next Day Same Day
HUD	ACH Fedwire	6:00 pm, EST 3:00 pm, EST	Two Days Same Day
Interior-FWS	ACH	7:30 pm, EST	Next Day
Interior-OSM	ACH Fedwire	3:00 pm, EST 1:00 pm, EST	Next Day Same Day
Justice	ACH Fedwire	2:00 pm, EST 2:00 pm, EST	Two Days Two Days
Labor-UTF	ACH & Fedwire	3:00 pm, EST	Same Day, or Next Day
Labor-Non-UTF	ACH	3:00 pm, EST	Same Day
National Science Foundation (NSF)	ACH Fedwire	8:00 pm, EST 5:45 pm, EST	Next Day Same Day
Social Security Admin	ACH Fedwire	11:59 pm, EST 5:45 pm, EST	Next Day Same Day
Transportation (FTA)	ACH	12:00 Noon, EST	Next Day
Transportation (FAA)	ACH	2:00 pm, EST	Next Day
Transportation (FHWA)	ACH Fedwire	12:00 Noon, EST 12:00 Noon, EST	Three Days Same Day
Veterans Affairs	ACH	12:00 pm, EST	Three Days
Army National Guard	ACH	12:00 Noon, EST	15 Days
Air National Guard	ACH	12:00 Noon, EST	15 Days

Exhibit II

**Redemption Patterns
For 2002-03 FY Interest Liability Calculations
For Pre-Issuance Funded Programs**

CFDA No.	Program Name	Average Days of Redemption
10.553	School Breakfast Program	10.90
10.555	National School Lunch Program	12.29
10.557	Special Supplemental Nutrition Program--WIC	8.09
10.558	Child and Adult Care Food Program	8.47
10.561	State Administrative Matching Grants for Food Stamp Program	3.89
83.544	Public Assistance Grants	9.24
84.010	Title 1 Grants to Local Educational Agencies	4.99
84.027	Special Education--Grants to States	4.92
84.126	Rehabilitation Services--Vocational Rehabilitation Grants to States	9.63
93.558	Temporary Assistance for Needy Families	1.92
93.575	Child Care and Development Block Grant	10.08
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	11.42
93.658	Foster Care—Title IV-E	0.69
93.659	Adoption Assistance	2.28
93.667	Social Services Block Grant	0.69
93.767	State Children's Insurance Program	7.94
93.778	Medical Assistance Program	5.16
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5.96

Redemption Pattern Certification
(a.k.a. Clearance Pattern)

I, Marian Wong, hereby certify based on information and belief that the redemption patterns as listed in Exhibit II of the Treasury-State Agreement:

1. Accurately represents the flow of federal funds.
2. Reflects seasonal or other periodic variations in redemption activity.
3. Is auditable.

June 15, 2003

Date

Original Signed by

Marian Wong, Chief
Fiscal Systems and Consulting Unit
Department of Finance

Statement of Delegation

I, Kathryn Radtkey-Gaither, delegate the certification of the clearance pattern for the Highway Planning and Construction program to Dianna Fenstermacher at the State Department of Transportation. Dianna Fenstermacher will represent the State on this program's clearance pattern.

5/20/03

Date

Original Signed by

Kathryn Radtkey-Gaither
Assistant Director, Operations
Department of Finance

Clearance Pattern Certification

I, Dianna Fenstermacher, certify that the clearance patterns for the Highway Planning and Construction Program (CFDA 20.205) as referenced in the 2002-03 Treasury-State Agreement:

1. Accurately represents the flow of federal funds.
2. Reflects seasonal or other periodic variations in clearance activity.
3. Is auditable.

6/18/2002

Date

Original Signed by

Dianna Fenstermacher
Federal Billing and Reporting
Division of Accounting
Department of Transportation